



VENDOR PROFILE

OpenText – Archiving Software Capabilities

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IDC OPINION

The archiving software market continues to expand, growing 6.7% to \$1.6 billion in 2016. Growth is driven by cloud and SaaS solutions, and the archiving market is quickly reaching an inflection point where public cloud and SaaS solutions will account for more than 50% of the total market share. Furthermore:

- Vendors have responded to this trend by integrating their platforms with leading cloud services providers and building or acquiring SaaS solutions. In addition to cloud, the proliferation of enterprise data and an expanding list of regulatory and compliance requirements like FedRAMP and the EU's General Data Protection Regulation (GDPR) mean that archiving solutions will remain highly valuable in the data management, compliance, and security ecosystem. However, native archiving capabilities offered by applications providers, combined with a host of archiving alternatives (from basic backup applications to Hadoop repositories), make the market landscape more competitive than ever.
- OpenText's recent acquisition of Dell EMC's Enterprise Content Division (ECD) adds InfoArchive to the vendor's existing archiving, compliance, and eDiscovery capabilities. The addition of InfoArchive augments the strategic direction of OpenText's archiving portfolio and also expands the company's presence in the market, making OpenText an important vendor to watch over the next year. This document analyzes OpenText's evolving archiving portfolio strategy and assesses the vendor's current and future opportunities within the context of the archiving software market.

IN THIS VENDOR PROFILE

This IDC Vendor Profile analyzes OpenText's archiving software solutions, including Archive Center for SAP, InfoArchive, and various email and file archiving products within the OpenText Content Suite. OpenText is a Waterloo, California-based corporation founded in 1991. The vendor earned \$2.3 billion in FY17 and currently employs approximately 11,000 individuals. OpenText often uses acquisition as a way to expand its portfolio and market share in key areas. This strategy has led OpenText to acquire over 50 different companies during its history. One of its most recent acquisitions – the purchase of Dell EMC's Enterprise Content Division – adds important new archiving capabilities and a new brand – InfoArchive. The addition of InfoArchive requires updates to OpenText's portfolio and go-to-market (GTM) strategies, which the vendor is diligently working to implement over the next several years based on short-term and long-term road map goals. This document assesses these changes and offers recommendations for OpenText based on recent market trends.

SITUATION OVERVIEW

IDC's worldwide archiving software market includes revenue from both on-premises archiving software and public cloud/SaaS-based archiving services. We estimate the archiving software market will grow at a 6.8% CAGR from 2017 to 2021. We expect public cloud archiving solutions to grow at almost double this rate during the same forecast period. While net-new archiving opportunities are being generated by the proliferation of data and complex regulatory requirements, a large number of archiving deals displace legacy solutions, driving opportunity for SaaS-based suppliers that can provide customers with easier procurement and lower prices than existing on-premises solutions.

OpenText finds itself in a unique position within the archiving market. On the software technology side, the vendor is a leading provider for traditional on-premises SAP archiving. OpenText also provides email and file archiving capabilities in conjunction with its Content Suite. The addition of InfoArchive expands OpenText's archiving portfolio, allowing the vendor to deliver application archiving and compliance tools beyond the SAP ecosystem, to a wider range of structured and unstructured data. On the software deployment side, OpenText primarily provides on-premises solutions, which are licensed by volume per user. To align with cloud-based consumption models, OpenText has released SaaS and managed services products (including InfoArchive as a Service [IAaaS] and OpenText Archive Center, Cloud Edition) within the past year.

To summarize OpenText's presence in the archiving market, the vendor is a leader in the SAP archiving space and can provide a range of data management and compliance services by leveraging InfoArchive and the rest of its enterprise content management (ECM) portfolio. The primary challenge for OpenText is to expand its cloud-based deployment options and create brand awareness for its archiving capabilities beyond the SAP ecosystem.

Company Overview

OpenText entered the archiving market in close partnership with SAP, developing a portfolio of solutions for the SAP ecosystem that the vendor has grown into a lucrative business. OpenText also boasts Microsoft Exchange and SharePoint archiving capabilities – part of the vendor's Content Suite Platform. Finally, OpenText offers a range of application archiving, eDiscovery, security, and compliance capabilities through the recently acquired InfoArchive portfolio. In total, we estimate OpenText earned approximately \$40 million in archiving software revenue during 2016. We expect OpenText's archiving revenue to grow above the market average in 2017, primarily due to the addition of InfoArchive.

Product Differentiation

OpenText delivers a comprehensive portfolio of archiving solutions to customers and works to keep them differentiated from one another as well as from competitive offerings. Following are brief descriptions of how each archiving product in OpenText's portfolio is positioned in the market and differentiated from the competition:

- **Archive Center:** Designed for traditional SAP data and document archiving and cloud archiving and to help with SAP data migrations
- **Differentiators:** Archive Center is a leading solution for archiving structured and unstructured data within the SAP ecosystem. Close technical integration with SAP workflows and processes makes this a seamless solution for customers with minimal footprint. The addition of a cloud

deployment option helps the product remain relevant as SAP customers migrate more of their applications and database functionality to a cloud model.

- **Content Suite (email and SharePoint archiving):** Delivers email archiving and compliance capabilities that complement the overall Content Suite
- **Differentiators:** The archiving solutions within the Content Suite are delivered as part of OpenText's larger ECM portfolio/platform, appealing to customers that desire simplicity and a single point of management and access for content management.
- **InfoArchive:** Designed for legacy and active application archiving for a wide range of application and database ecosystems, including both structured and unstructured static data
- **Differentiators:** The following factors – low cost, application agnostic, open standards, and a growing range of cloud integrations – make InfoArchive the most economical and flexible archiving product in OpenText's portfolio, allowing it to compete with a range of cloud and SaaS alternatives on price, ease of use, and access.

Company Strategy

Archiving technology provides a logical extension to OpenText's content management portfolio, allowing the vendor to deliver more granular document and data retention, security, and governance policies for customers in highly regulated industries. Prior to the acquisition of Dell EMC's Enterprise Content Division, OpenText's archiving portfolio and value proposition were primarily focused on SAP customers. The addition of InfoArchive brings an expanded strategic direction to OpenText's archiving portfolio, which the vendor has been clear to articulate to customers over the past several months.

OpenText's archiving strategy and product road map are focused on four key pillars: cost reduction, compliance, access, and analysis. OpenText will deliver three primary archiving products designed to fulfil requirements across each pillar: SAP Archiving and Document Access, Archive Center for SAP, and InfoArchive. OpenText's archiving solutions for SAP deliver process efficiency, governance, and compliance and help reduce the total cost of ownership of a customer's SAP environment. InfoArchive will complement this portfolio by focusing on cost reduction through application decommissioning (for any application, not just within the SAP ecosystem) and a wider range of data access, with the ability to retain both structured and unstructured information.

Business Model and Go-to-Market Strategies

OpenText uses a range of go-to-market and business model strategies across its archiving portfolio, which are summarized by product family:

- **Archive Center business model and GTM strategy:** Archive Center has established joint product development and go-to-market initiatives alongside SAP. Most Archive Center deals are fulfilled and serviced by both OpenText and SAP. The solution is licensed on a volume basis. OpenText is currently working closely with SAP to improve GTM efforts and help SAP customers with their migrations to S/4HANA and access to a broader range of cloud and SaaS-based applications. The release of Archive Center, Cloud Edition (a multitenant public cloud version of Archive Center that runs on OpenText's cloud) will result in expanded GTM efforts alongside SAP. Unlike the on-premises version, Cloud Edition uses a consumption-based subscription pricing model, which will impact the traditional business model and revenue makeup for this portfolio over time.
- **Content Suite (email and SharePoint archiving) business model and GTM strategy:** Archiving solutions rolled into the Content Suite benefit from OpenText's primary go-to-market strategy – which is to deliver a suite of document and content management applications to customers.

When marketed alongside the wider ECM portfolio, OpenText's archiving solutions for email, SharePoint, OneDrive, and other applications are primarily used as a low-cost storage tier with additional tools for classification, eDiscovery, and security built in. All solutions in this product family are licensed by user per mailbox.

- **InfoArchive business model and GTM strategies:** Under OpenText, InfoArchive is marketed as an essential platform for lowering storage and decommissioning costs associated with legacy applications and helping manage the data, security, and compliance needs of production applications via active archiving of static data. InfoArchive is designed to be application and storage agnostic, so the product leverages a wide range of technology, cloud, and professional services partners. OpenText has made it clear to customers that InfoArchive fills a unique role as a platform for structured and unstructured data archiving and can be used to supplement or expand a customer's archiving portfolio alongside SAP Archive Center or the archiving capabilities of OpenText Content Suite. InfoArchive is licensed by volume.

FUTURE OUTLOOK

OpenText's expanded archiving portfolio will help the company address a range of security and data management use cases. The vendor's ability to deliver cloud (SaaS) and on-premises solutions and accommodate multiple database, file, and application types will appeal to customers that have complex infrastructure and data management requirements. OpenText's archiving strategy will face three important challenges:

- OpenText must quickly identify where it can standardize tools and processes across the SAP Archiving and InfoArchive portfolios. Customers want to be able to access their archiving tools from a single platform, set policies once and apply them across their entire storage ecosystem, and have a universal console that can ingest and route data to the necessary archiving locations. OpenText is working to deliver some of these capabilities with integrated search, management, and compliance tools that customers will be able to use across both SAP Archiving and InfoArchive. Broader integration with the rest of the OpenText portfolio, including the InfoFusion Integration Center and OpenText xECM suite, is also planned.
- OpenText must improve the analytics capabilities of its archiving portfolio. Analytics capabilities have become an important differentiator in the archiving space, used to improve data ingestion and migration capabilities and also provide end users with search and data access capabilities within the archive itself. Analytics is a key pillar for OpenText's archiving portfolio, but the company's solutions currently lack advanced (predictive/cognitive) analytics features that can be used to enhance a wide range of archiving features. However, with the release of Magellan, and acquisition of Recommind, OpenText can potentially add new analytics capabilities to its archiving portfolio very quickly. For example, imagine if Magellan's cognitive capabilities were paired with InfoArchive and used to teach the platform to automatically identify, flag, and set the appropriate policies for retention of GDPR-related personally identifiable information (PII) data? This type of capability would be a significant differentiator, but the vendor has not yet announced any road map plans that combine Magellan and the archiving portfolio.
- OpenText must continue to expand its cloud deployment options across its entire archiving portfolio. Public cloud and SaaS archiving solutions remain in high demand, and IDC's 2017-2021 archiving software forecast shows that revenue and growth associated with these solutions will significantly outpace those of on-premises alternatives. OpenText showcased its Archive Center, Cloud Edition at Enterprise World 2017 in July. However, we believe InfoArchive offers the most potential for growth within cloud environments, and improved cloud

readiness and integration are essential for the long-term success of this product. To capitalize on this opportunity, OpenText plans to add a managed services offering of InfoArchive in 2017, and InfoArchive Cloud Edition is planned after 2017.

ESSENTIAL GUIDANCE

We forecast that the archiving software market will continue to grow in the midsingle digits. However, segmenting the market shows that public cloud solutions will grow at a much higher rate. For the most part, we expect archiving customers to reallocate existing budget to newer cloud services, consolidating their archiving architectures wherever possible. However, growth in the archiving software market will also be driven by increasingly strict regulatory requirements and the need to capture as much data as possible for business and analytics purposes. Archiving solutions have an important role to play in managing the data requirements of modern enterprises. Therefore, archiving providers should not solely rely on competitive displacements and delivery of a simplified or cheaper product – they must continue to innovate and provide new solutions to meet changing demand. With these trends in mind, IDC offers advice for OpenText in the section that follows.

Advice for OpenText

- **Simplify pricing and packaging.** Over the past several years, archiving providers have worked to simplify their pricing and subscription models. As more tools, data types, and archive locations are added to the mix, pricing dynamics can become extremely complicated for the customer. Leading vendors are already taking steps to simplify their pricing and provide customers more transparency. Many vendors have done away with pricing by user, storage capacity, and content type, opting for an all-in subscription that is adjusted by the number and quality of features the customer wishes to use (such as eDiscovery, supervision, and advanced analytics). OpenText has already implemented more flexible pricing for Archive Center, Cloud Edition and InfoArchive as a Service and should make these pricing models the norm with any new customer.
- **Provide clear differentiation from native archiving solutions offered by applications providers.** As firms move their email and messaging platforms to the cloud, it creates a natural opportunity to reevaluate existing storage software solutions, especially if the organization is using an on-premises tool. Vendors like Microsoft and Google provide native archiving capabilities for email and messaging that are increasingly seen as "good enough" archiving alternatives for many customers. This shift in customer purchasing will challenge OpenText's email and SharePoint archiving solutions. OpenText must continue to differentiate its products and demonstrate its value-added capabilities, which go beyond the native compliance and archiving solutions available for Microsoft Office 365 and SharePoint Online. This will require ongoing technical innovation to provide advanced security, compliance, analytics, and integration with third-party applications and storage repositories beyond the Microsoft ecosystem. OpenText has already established better integration with AWS S3 and Glacier, expanding its reach. The vendor also plans significant investments in its data migration capabilities to help customers move and manage archived data across a range of ecosystems.
- **Expand native analytics tools and automation capabilities.** As discussed previously, OpenText's archiving tools possess a range of automation and basic analytics capabilities, but there is opportunity to deliver more advanced capabilities using the cognitive and predictive analytics of Magellan. OpenText should make integrations with Magellan a long-term priority.

LEARN MORE

Related Research

- *Worldwide Archiving Software Market Shares, 2016: A Shifting Landscape Brings New Opportunity* (IDC #US42572217, May 2017)
- *Worldwide Archiving Software Forecast, 2017-2021: Generating Growth Through Higher-Value Engagements* (IDC #US42593417, May 2017)

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